

Message Text

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17-12

ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 SAJ-01 NIC-01 SCI-06 SCEM-02 INT-08 CG-00

COA-02 DLOS-06 FMC-04 AGR-20 STR-08 DRC-01 /280 W

----- 062469

R 061300Z DEC 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8307

INFO AMEMBASSY MOSCOW

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMEMBASSY COLOMBO POUCH

AMEMBASSY KATHMANDU POUCH

AMEMBASSY DACCA POUCH

AMEMBASSY RANGOON POUCH

AMEMBASSY ISLAMABAD POUCH

AMEMBASSY TEHERAN POUCH

AMCONSUL HONG KONG POUCH

USLO PEKING POUCH

C O N F I D E N T I A L NEW DELHI 14304

E.O. 11652: GDS

TAGS: PFOR, EGEN,IN, UP

SUBJECT: SOVIET ECONOMIC ASSISTANCE TO INDIA

REF: NEW DELHI 14010

SUMMARY: SPECIFIC SOVIET AID COMMITMENTS NEGOTIATED DURING
BREZHNEV VISIT HAVEN'T BEEN ANNOUNCED, BUT PRESS REPORTS
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CLAIM INDIA DIDN'T DO BADLY. WE ARE SKEPTICAL. END SUMMARY

1. "PROTOCOL ON CONCRETE STEPS TO IMPLEMENT ECONOMIC AND TRADE COOPERATION AGREEMENT" SIGNED DURING BREZHNEV VISIT HAS STILL NOT BEEN PUBLISHED AND PROBABLY WON'T BE, BUT ITS PROVISIONS ARE BEGINNING TO LEAK OUT IN PRESS AND CONVERSATIONS.

2. SOVIETS HAVE APPARENTLY AGREED TO EXTEND CONSIDERABLE ASSISTANCE TO POWER GENERATING INDUSTRY DURING INDIAN FIFTH FIVE YEAR PLAN (1974-79). \$133 MILLION IN AID OVER PLAN PERIOD WILL INCLUDE POWER GENERATING EQUIPMENT (TWO 200 MW POWER PLANTS), AND INCREASED SUPPLIES OF COMPONENTS AND SPARES FOR SOVIET-ASSISTED BHARAT HEAVY ELECTRICALS LTD.

3. COAL MINING INDUSTRY IS TO GET \$67 MILLION WORTH OF MINING EQUIPMENT AND TECHNICAL ASSISTANCE FOR BOTH OPEN-PIT AND DEEP MINES IN BENGAL-BIHAR COAL BELT. JOINT SOVIET/INDIAN RESEARCH WILL BE CONDUCTED ON COAL GASIFICATION. SOVIETS WILL APPARENTLY STAY ACTIVE IN PETROLEUM PROSPECTING AND WILL PROVIDE DRILLING EQUIPMENT, INCLUDING THREE DEEP-DRILLING RIGS IMMEDIATELY, AND MORE LATER. SOVIETS ALSO WILL TAKE A HAND IN PROSPECTING FOR NON-FERROUS METALS, AND WILL AID MALANDJHAND COPPER MINING PROJECT.

4. FOR STEEL INDUSTRY, SOVIETS HAVE AGREED TO "EXPEDITE DELIVERY SCHEDULE" OF DESIGNS AND EQUIPMENT TO SUPPORT EXPANSION OF BHILAI TO 7 MILLION TON CAPACITY AND BOKARO TO 10 MILLION TONS BY END OF FIFTH PLAN. SOVIETS ALSO SAID TO HAVE AGREED TO ASSIST CONSTRUCTION OF REFRACTORY PLANT AT BHILAI WITH 100,000 TON ANNUAL CAPACITY.

5. ON COMMODITY SIDE, SOVIETS ARE SAID TO HAVE AGREED TO "CONSIDER INDIAN REQUESTS" FOR, EDIBLE (SUNFLOWER SEED) OIL, ASBESTOS, ZINC, COPPER, PAPER, STEEL PRODUCTS, AND FERTILIZER, BESIDES CRUDE PETROLEUM AND KEROSENE REPORTED EARLIER. SPECIFIC QUANTITIES HAVE NOT, HOWEVER, BEEN FIXED AS YET AND WE SUSPECT THERE MAY BE PROBLEMS IN THIS AREA.

6. NEGOTIATIONS TOWARD AN AGREEMENT ON COMMERCIAL SHIPPING AND CONFIDENTIAL

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NAVIGATION WERE INCONCLUSIVE AND ARE TO BE TAKEN UP AGAIN LATER.

7. VAGUE PROVISION IN ECONOMIC AND TRADE COOPERATION AGREEMENT FOR "IMPROVEMENT AND STREAMLINING" OF "METHODS OF RECIPROCAL SETTLEMENT OF ACCOUNTS AND TERMS OF CREDIT RELATIONS" COULD MEAN NUMBER OF THINGS. IT MIGHT HAVE BEEN INSERTED FOR INDIANS TO POINT TO WHEN AID-INDIA CONSORTIUM RAISES QUESTION OF RESCHEDULING DEBT TO COMMUNIST BLOC. COULD ALSO REFER TO

INDIAN DESIRE FOR SOFTER TERMS IN FUTURE THAN TRADITIONAL 2 1/2 PERCENT FOR TWELVE YEARS. ABSENCE OF ANY REFERENCE TO CREDITS IN PUBLISHED DOCUMENTS AND NEWS STORIES SUGGESTS, HOWEVER, THAT NEW DIA WILL BE LARGELY FINANCED OUT OF EXISTING UNUTILIZED SOVIET CREDITS, OF WHICH THERE ARE MORE THAN \$400-500 MILLION EQUIVALENT.

8. IT IS TEMPTING TO CONCLUDE FROM NON-PUBLICATION OF " PROTOCOL ON CONCRETE STEPS THAT INDIA GOT LESS THAN IT HOPED FOR. IT NOW LOOKS LIKE NON-PUBLICATION, WHICH IS CONSISTENT WITH PAST INDI-SOVIET PRACTICE IN SUCH MATTERS, REFLECTS GO'S RELUCTANCE TO SUPPLY BASIS FOR PROLONGED DEBATE AND DISCUSSION ON ITS ABILITY TO HANDLE SOVIETS. PRIME MINISTER AND CONGRESS ARE TACITLY PUSHING THEIR SKILL AT LATTER AS CAMPAIGN ISSUE. AND THERE IS WIDESPREAD BELIEF, THAT ONE REASON MANY ECONOMIC SPECIFICS WERE LEFT UNRESOLVED IS THAT INDIAN GOVERNMENT MINISTRIES HAD NOT DONE THEIR HOMEWORK ON PRECISE QUANTITIES, VARIETIES, DELIVERY DATED FOR SOVIET COMMODITIES BEING REQUESTED, OF ATTEMPTED TO INTEGRATE REQUESTS FOR SOVIET AID WITH ASSISTANCE BEING GIVEN BY THIRD COUNTRIES (E.G. SOVIET FISHING TRAWLERS AS RELATED TO YUGOSLAV AND DANISH TRAWLERS ALREADY ORDERED OR DELIVERED).

10. PROOF OF THE PUDDING WILL BE DELIVERIES OF SOVIET GOODS. IMPLEMENTATION OF PAST AGREEMENTS HAS BEEN HAMPERED BY LIMITS ON SOVIET ABILITY TO SUPPLY TYPES AND QUANTITIES OF INPUTS REQUIRED AND TO A LESSER EXTENT TO ABSORPTIVE CAPACITY OF INDIAN ECONOMY. WE THINK THESE LIMITS ARE STILL OPERATIVE AND WILL CONTINUE TO RESTRICT THE RELATIONSHIP IN MUCH THE SAME WAY AS IN THE PAST.
SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, ECONOMIC COOPERATION, TRADE, VISITS, ECONOMIC AGREEMENTS, FIVE YEAR PLAN
Control Number: n/a
Copy: SINGLE
Draft Date: 06 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE14304
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731241/aaaabdyd.tel
Line Count: 146
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: NEW DELHI 14010
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25-Jul-2001 by shawdg>; APPROVED <11-Jan-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SOVIET ECONOMIC ASSISTANCE TO INDIA
TAGS: PFOR, EGEN, IN, UR, (BREZHNEV, LEONID I)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005